

Message Text

CONFIDENTIAL

PAGE 01 BONN 18267 221836Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-01 SIL-01 OMB-01 DODE-00 PM-03 H-01

L-02 NSC-05 PA-01 PRS-01 SS-15 USIA-06 SAJ-01 STR-01

CEA-01 /080 W

----- 078392

P R 221830Z NOV 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 6426

INFO USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

C O N F I D E N T I A L BONN 18267

DEPARTMENT PLEASE PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: GDS

TAGS: ECON, EFIN, GW

SUBJECT: GERMAN COUNCIL OF ECONOMIC EXPERTS ANNUAL
REPORT FORECASTS LOWERED GROWTH AND RECOMMENDS
RESTRAINT

REF: BONN 18184

1. THE GERMAN COUNCIL OF ECONOMIC EXPERTS PRESENTED ITS
APPRAISAL ON ECONOMIC DEVELOPMENT TO THE GOVERNMENT ON
NOVEMBER 22. THIS INDEPENDENT GROUP OF ECONOMISTS
FORECAST THAT GNP IN REAL TERMS WILL GROW 0.5 PERCENT
IN 1974 AND 2.0 PERCENT IN 1975. THESE FIGURES
REPRESENT ANOTHER DOWNWARD SHAVING OF WHAT HAS BEEN
EXPECTED FOR GERMAN ECONOMIC PERFORMANCE. IT REFLECTS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 18267 221836Z

ZERO-LEVEL GROWTH FOR THE FIRST HALF OF NEXT YEAR AND A

PICKUP TO 3.5 PERCENT FOR THE SECOND HALF. IMPLIED IN THE FORECAST IS AN 11 PERCENT WAGE INCREASE. THE COUNCIL ADVISES AGAINST ANY ADDITIONAL EXPANSIONARY PROGRAMS BEYOND THE CURRENT PUBLIC SECTOR SPENDING PLANS. A MODEST RELAXATION OF MONETARY POLICY IS NOT PRECLUDED. IT OBSERVES THAT THE WINTER UNEMPLOYMENT SITUATION CAN NO LONGER BE HELPED BY ADDITIONAL MEASURES. UPWARD PRESSURE ON THE DM SHOULD NOT BE COUNTERED, THE REPORT MAINTAINED. CONSUMER PRICES ARE PREDICTED TO RISE BY 5.5 - 6.0 PERCENT IN 1975.

2. DESPITE THE FOREGOING FORECAST, THE COUNCIL ALSO HELD OUT HOPE OF A HIGHER GROWTH RATE (2.5 PERCENT IN 1975) AND LOWER INFLATION (5 - 5.5 PERCENT) IF THE WAGE INCREASE WERE HELD TO 9 PERCENT.

3. DUE TO ITS LENGTH (NEARLY 400 PAGES) A MORE DETAILED EMBASSY SUMMARY OF THE COUNCIL'S FINDINGS WILL BE SENT NEXT WEEK.

4. COMMENT. THOUGH THE COUNCIL IS A HIGHLY RESPECTED BODY, AS POINTED OUT IN THE REFTEL, ITS POLICY RECOMMENDATIONS ARE NOT BINDING ON THE GOVERNMENT. A SOURCE IN THE ECONOMICS MINISTRY AT THE DEPUTY ASSISTANT SECRETARY LEVEL TOLD AN EMBOFF THAT THERE IS NO QUESTION BUT THAT A STIMULATIVE PROGRAM UTILIZING COUNTERCYCLICAL RESERVES WILL BE SET IN MOTION JUST AFTER THE FIRST OF THE YEAR. HE SAID THESE WOULD CONSIST OF DM 3.5 BILLION FOR "GLOBAL" APPLICATION AND DM 1.5 BILLION FOR SECTORAL USE. HE ATTRIBUTED THE APPARENT RETICENCE OF HIS MINISTRY ON THIS SUBJECT TO THE DESIRE NOT TO INFLUENCE LABOR IN INFLATING ITS DEMANDS IN THE CURRENT ROUND OF WAGE NEGOTIATIONS. THE COUNCIL FITS IN NICELY WITH THIS APPROACH IN SUGGESTING THAT LOWER WAGE DEMANDS WOULD RESULT IN HIGHER OVERALL ECONOMIC BENEFITS.
HILLENBRAND

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ESTIMATES
Control Number: n/a
Copy: SINGLE
Draft Date: 22 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN18267
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740339-0470
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741121/aaaaarsa.tel
Line Count: 97
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: BONN 18184
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2002 by izenbei0>; APPROVED <14-Aug-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GERMAN COUNCIL OF ECONOMIC EXPERTS ANNUAL REPORT FORECASTS LOWERED GROWTH AND RECOMMENDS
TAGS: ECON, EFIN, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005